DOCUMENT RESUME

ED 423 413 CE 077 188

AUTHOR	Bentabet, Elyes; Michun, Stephane; Trouve, Philippe
TITLE	Training and Skills in Very Small Enterprises.
INSTITUTION	Centre d'Etudes et de Recherches sur les Qualifications, Marseilles (France).
ISSN	ISSN-1156-2366
PUB DATE	1998-00-00
NOTE	5p.
PUB TYPE	Collected Works - Serials (022) -- Reports - Research (143)
JOURNAL CIT	Training & Employment; n32 Sum 1998
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	Apprenticeships; *Continuing Education; Employer Attitudes; Employment Patterns; *Employment Practices; Employment Qualifications; Foreign Countries; *Job Skills; *Job Training; Personnel Management; Skill Development; *Small Businesses; *Staff Development
IDENTIFIERS	*France

ABSTRACT

In France, a "Very Small Enterprise" (VSE) is defined as a legally independent company with fewer than 10 salaried employees. VSEs are characterized by a great deal of movement in the creation, transformation, and disappearance of jobs and the extent of turnover, which seems tied with intensive use of public employment programs, notably apprenticeship. Apprenticeship contracts seem to play a decisive role in the hiring of young employees in VSEs. They contribute above all to easing the initial entry of the new VSEs into the economy and of low-skilled young people into the labor market. French legislation is representative of the way continuing vocational training is viewed in France: strongly tied to the model of the large enterprise, it is not considered real training unless it takes place outside the usual work station and without significant participation in the company's production activity. The demand for continuing training in the VSEs remains slight. They tend to request sporadic actions in the acquisition and upgrading of technical skills. Company heads distrust continuing training for such reasons as the following: their own success that had little to do with academic learning; school learning that does not correspond to the ways knowledge is transmitted in VSEs; risk of introducing heterogeneous practices where diversity is threatening to the small team size; and breakdown of the family-like relationship. (YLB)

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ED 423 413

Training & Employment

A FRENCH NEWSLETTER FROM CEREQ AND ITS ASSOCIATED CENTRES

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TRAINING AND SKILLS IN VERY SMALL ENTERPRISES

Omnipresent in employment flows, the "Very Small Enterprises" (VSE) have particular contributions to make to the development and accumulation of skills as well as mobility within the production system. Their training efforts remain little known because these rarely assume the "classic" forms of recourse to the continuing training market. Recent legislation requiring them to participate in the funding of training has not really changed the essential role of on-the-job training.

In France, a VSE is defined as a legally independent company with less than ten salaried employees. The diversity of situations makes any attempt at overall analysis difficult, however. How can a single description cover independent tradespersons who have set up a company in their own name or in the form of limited-responsibility companies (SARL), businesses depending on large groups, subcontractors and franchises, as well as various professionals? The task is all more problematic because the VSEs just as often reflect sheer resourcefulness in face of unemployment and lack of job security as timeless traditions that are more or less successful in their resistance, notably within the trades, or innovative strategies in tune with ongoing changes in the production system.

A Dynamic Source of Salaried Employment

The VSEs as a whole represent over two million companies, or more than 92 percent of French businesses. Their contribution in the area of employment is significant. In 1995, they accounted for nearly 26 percent of total salaried employment, compared with 11 percent for the large companies. The phenomenon is even clearer over time: between 1985 and 1995, the number of salaried employees in the VSEs rose 21 percent, while the increase was only 9 percent in the small and medium-sized enterprises (10 to 499 employees), and the large companies showed a decline of 23 percent over the same period.

Table 1. Growth and Structure of Businesses and Salaried Employment by Company Size (1985-1995)

Company Size (no. salaried employees)	Number of Businesses		Salaried Jobs		Rate of Increase 1995/85	
	1995	Structure	1995	Structure	Bus.	Employ.
1-9	1,197,826	83.6	3,568,386	26.0	+ 23.9	+ 21.0
10-49	192,903	13.5	3,975,669	28.9	+ 15.9	+ 14.3
50-499	39,419	2.8	4,696,344	34.2	+ 10.9	+ 6.8
500 and over	1,480	0.1	1,505,710	10.9	- 16.9	- 23.3
Total	1,431,628	100	13,746,109	100	+ 22.3	+ 8.2

Source: UNEDIC

There are many reasons to explain the dynamism of the VSEs. The most obvious is the growth of services: 79 percent of the VSEs are concentrated in tertiary activities that are often labour intensive. By contrast, only 11 percent are found in building and 10 percent in manufacturing. The large enterprises, meanwhile, are mainly concentrated in manufacturing (50 %), somewhat less in services (45 %) and very little in building (5 %). The VSEs thus predominate in the sectors where economies of scale do not play an essential role and/or where there is little capital intensiveness.

Frequent Recourse to the Labour Market

According to a survey conducted by the Dares, in 1995, the small and very small enterprises recruited more young beginners than the medium and large enterprises together

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(384,063 and 313,540, respectively).[1] Relative to the total number of young people exiting initial training between 1993 and 1995, the VSE welcomed a larger proportion of young beginners (32 %) than companies with more than 500 employees (22 %).

But at the same time that the VSEs create a large number of jobs, they also lose a large number. Table 2 demonstrates their role in employment flows: 40 percent of those employed by a VSE in May 1988 changed companies over the next five years, as compared with only 16 percent of those working in a large company. For the 25-39 age bracket, the proportion of VSEs rises to 49 percent.

Table 2. Percentage of Individuals Changing Companies between May 1988 and May 1993 by Status and Age, as well as Company Size

STATUS	25-39 years	40-49 years	50-64 years	Total
Self-employed	29	14	10	16
Home help	31	16	24	23
Employees of the State	12	7	4	9
Employees of local administration	22	9	5	13
Employees of State-owned company	15	4	3	9
Employees of private companies (size in May 1988)				
• size unknown	57	35	26	45
• 1-9 employees	49	32	20	40
• 10-49 employees	42	27	17	33
• 50-499 employees	39	23	14	29
• 500 + employees	29	8	4	16
TOTAL	37	18	13	25

Source: National Economic Statistics Institute (INSEE), Training and Vocational Qualification Survey (EQP), 1993.

This phenomenon is not new. Céreq's career path survey carried out in 1984 among 200,000 young people exiting CAP and BEP training programmes (see Box) five years earlier attests to this fact (Bruand, 1991): even at that time, Level V young people who had left CAP and BEP programmes in 1979 more often found their first job in a very small or small enterprise (28 and 14 % of the cases, respectively) than in a large enterprise (14 %).[2] It also indicated that many young people voluntarily left their first company when it was small (26 % of the cases for the VSEs and 22 % for companies with 10 to 49 employees, compared with only 10 % for the large companies). And the rate of stability in the first job was only 17 percent for the VSEs, compared with 47 percent for the large companies.

The VSEs may thus be characterised by lively movements in the creation, transformation and disappearance of jobs. Another phenomenon that must be emphasised is the extent of turnover, which seems to be tied to the VSEs' intensive use of public employment schemes and notably apprenticeship (Fourcade and Ourtau 1992).

1. Figures established by the Direction de l'Animation de la Recherche Scientifique (Department for Scientific Research, Dares) of the Ministry of Employment and Solidarity.

2. The absence of current data does not allow us to confirm or invalidate this trend quantitatively. However, the interviews we have conducted with different company heads in the course of our fieldwork suggest that this is still the case.

Apprenticeship as a Means of Recruitment

According to the Dares, large businesses prefer aid measures for part-time work and alternating training, while small units are more receptive to the lower social security contributions associated with apprenticeship contracts and hiring the long-term unemployed. Thus, the VSEs represent only 22 percent of all the companies using adaptation contracts and 43 percent for skilling contracts (*contrats de qualification*, CQ). On the other hand, they are the main companies using apprenticeship contracts (73 % in 1994 and 72 % in 1996), largely ahead of the small enterprises (17 % for companies with 10 to 49 employees in 1994) and even more so for companies with over 50 employees (representing only 11 % of all companies using these contracts).

Among the VSEs, it is the craft enterprises that take on the most apprentices--about one-half each year--even if the number has decreased by more than half since the early 1970s and today totals about 150,000. Conversely, these craft enterprises account for only 18 percent of the skilling contracts and 10 percent of the adaptation contracts. Building, repairs, transport, other services and food alone constitute more than 90 percent of the apprenticeship contracts within the trades. In absolute terms, the food sector takes on the most apprentices--about 20 for the 100 companies registered in the Trade Index in 1996, compared with 9 for automobile repair, transportation and other services and 10 for building.

These craft enterprises are responsible for the greatest number of Level V and IV diplomas obtained through apprenticeship. Levels III and II, meanwhile, are five times less represented in the trade sector than in the economy as a whole.

In sum, apprenticeship contracts and, to a lesser extent, contracts for alternating training seem to play a decisive role in the hiring of young employees in the very small enterprises. They contribute above all to facilitating the initial entry--that of the new VSEs into the economic fabric, and that of low-skilled young people into the labour market. For these young people, such schemes offer an opportunity for their first professional qualification, and it is not difficult to imagine that training in the VSEs has a particular function and meaning.

A First Opportunity for Applying Skills

The young people who enter small and large businesses are not the same. While the *baccalauréat* (Level IV) seems to be a 'bottom line' for the largest enterprises, it constitutes a 'ceiling' for the smallest ones. Out of the 100 young people who chose to join VSEs in 1995, 42 had Levels V

- Level V = first level of vocational training, leading to a vocational aptitude certificate (CAP) or a vocational studies certificate (BEP)
- Level IV = *baccalauréat* level, including the vocational *baccalauréat*
- Level III = 2 years of higher vocational studies leading to a university diploma of technology (DUT) or a higher technician certificate (BTS)
- Levels II and I = any higher general and vocational education

qualifications, and 28 had higher education levels (III, II and I). On the other hand, slightly more than half of those who opted for companies with more than 500 employees had higher education levels (III, II and I), and 22 percent had levels V. Traditionally, the VSEs thus constitute a privileged zone of entry into working life for young people with low qualification levels.

VSEs and Training: An Inadequate Legal Framework

With the promulgation of Law 91-1405 of 31 December 1991, legislators extended to the VSEs the requirement in effect since 1971 that any company with at least 10 salaried employees should allocate a minimum percentage of its wage bill to continuing training, although this percentage was now fixed at 0.15 percent. The 1991 law is particularly representative of the way continuing vocational training is viewed in France--strongly tied to the 'model' of the large enterprise, it is not considered 'real' training unless it takes place outside the usual work station and without significant participation in the company's production activity. As such, it does not reflect either the particular features of the VSE or the extreme diversity that dominates this mass of micro-companies.

It thus comes as no surprise that in 1995, three years after the law went into effect, the vocational training survey carried out by the Dares among businesses with less than ten salaried employees indicated that the demand for continuing training in the VSEs generally remained slight. Indeed, the rate of financial participation was 0.03 percent, compared with an average of 3.5 percent in the large companies. In addition, only 10 percent of the salaried employees in the VSEs benefitted from training activities, as opposed to nearly 32 percent in the large businesses (Table 3).

Table 3. Indicators of Continuing Vocational Training by Company Size

	Rate of trainees	Training expend./ salaried employee	Training expend./ course	No. training hrs./salaried employee	Av. length of training courses
Companies with 1-9 salaried employees	10.5%	448 F	4,227 F	x hrs.	40 hrs.
Individual companies with 0-9 salaried employees	9.8%	409 F	4,298 F	5 hrs.	42 hrs.
Total companies contributing at 0.15%	10.2%	517 F	5,067 F	7 hrs.	x.x hrs.
Total companies contributing at 1.5%	32.1%	3,491 F	10,862 F	15 hrs.	69 hrs.

The difference in cost between companies by size (+ 10 or - 10 salaried employees) is partly explained by the fact that a considerable share of the VSEs' expenditures are assumed by the OPCAs, joint branch bodies responsible for collecting and regulating funds for training.
Source: Dares, December 1995.

This observation must be qualified, however. Our surveys show that continuing training patterns change according to the type of VSE involved--individual, franchiser or part of a group. Indeed, the fact of belonging to a network of franchisers or being affiliated to a large group leads to adopting a training dynamic which is most often externalised. Thus, franchised businesses initiate twice as many continuing training activities (20 % vs. 10 %) as independent ones. Conversely, individual VSEs conduct more on-the-job training. In proportion to their wage bill, their training expenditures are lower than those of the franchised VSEs (0.33 vs. 0.57 %). The case of the hotel trade is quite revealing in this respect, as are those of building and public works.

What Continuing Training for the VSEs?

With regard to 'formalised' vocational training--and all our informants agree on this point--the kinds most often requested by the VSEs tend to be sporadic skilling actions in the areas of sales, specific techniques of production or provision of services, specific sectoral training programmes, computers and office technology, maintenance/after-sales service and quality norms. The VSEs' first priority in training is the acquisition and upgrading of technical skills. The case of computers and office technology, the training area of predilection, is exemplary in this respect and reflects the search for continuous adaptation to new technology.

If we consider the same situation from the standpoint of the training supply, it becomes clear that training providers and related bodies have offered a certain number of responses, at least partially, to the VSEs' training needs, notably by permitting a very clear identification of specific moments and publics, which facilitates training investment in these companies. Among the moments, we may cite that of the company's transmission from one generation to another, and especially its computerisation, which often reveals larger problems of management. As for the publics involved, young people and especially non-remunerated spouses help to structure the training supply. Indeed, there is no lack of programmes for the training of such family members, whether these are short (sales or merchandising) or long (management certificate), degree-oriented or not, or presented in the form of university-level continuing training (Bentabet et al., 1997).

Company Heads' Distrust of Continuing Training

For company heads, the knowledge and know-how of family members are often the main if not the only means of training and as such always the first to be solicited. Indeed, most VSE heads have an inherently complex relationship to continuing training, and it is all the more ambivalent insofar as it sometimes recalls the painful experience of their own initial training, often marked by failure, rejection or interruptions, all of which have left their traces.

In addition, the company heads themselves exemplify a success which, almost without exception, has had little to do with laborious academic learning. Extremely concerned about their autonomy, they have acquired and developped their business without the help of the institutions they associate with the 'academic model'. As a result, when it comes to improving skills, they prefer to draw on informal networks and inter-personal relations

because "the company head seeks . . . . advice through dialogue. . . ." (Bentabet and Trouvé, 1996).

Underlying the manager's rejection of training is above all the rejection of a form of learning proper to the school, which does not correspond to the ways knowledge is transmitted in the VSEs. Training also represents the risk of introducing heterogeneous practices into the company, where diversity is all the more threatening because of the small size of the team. It also reinforces the fear that the employees may break down the family-like relationship (characterised as "quasi-paternalistic") or the direct interpersonal relationship (a "quasi-fusion") between company head and employees. The idea that paying for an employee's training amounts to giving him or her a "ticket to leave" comes up in many interviews with varied sectors.

On-the-Job Training, Self-Training and Collective Learning

In spite of the 1991 Law, on-the-job training, self-training and collective learning remain the main ways for most wage-earners to acquire new skills or maintain qualification. The company heads, meanwhile, seem to attach little importance to diplomas owing to the absence of the kinds of occupations to which precise job or training offers might correspond. In addition, because of the simplicity of the procedures in such companies, employees primarily need training specifically adapted to the equipment used (notably at the time of purchase). Ultimately, such training takes place only with the help of the employer or through the intermediary of the most experienced employee, whose opinion is respected by the employer. It is mainly accomplished through the "trickle-down effect", through a process of acquisition-transmission involving a company (or family) member and informal training practices. Such training practices are usually invoked on two occasions: for new recruits, who are thus introduced to company culture through an adaptation-socialisation type of training clearly referring to behavioural and moral values, and for employees already in place, through a process of trial-and-error or by repetition.

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The VSEs thus play an active role in the building of skills within the production system. Nonetheless, they still suffer from a certain number of structural limitations. On the one hand, they lag behind in training, research and development and, more broadly, non-material investments. On the other, in spite of the different public schemes for employment, they still hire few of the most highly trained young people. There are multiple reasons for this. Our research indicates that the VSEs suffer from a legislative, fiscal and financial environment that was initially set up for the large enterprise. Thus, it might even be argued that the rigidities imputed to the VSEs in terms of training and the development of skills should rather be sought within the model that they are supposed to adopt.

Elyes Bentabet, Stéphane Michun, Philippe Trouvé

Methodological Approach

The study entitled "Gestion des hommes et formations dans les Très Petites Entreprises (T.P.E.)" [Personnel Management and Training in the Very Small Enterprises (VSE)] was initiated by Céreq (E. Bentabet) with the participation of the associated centres in Aix-en-Provence (A. Lamanthe), Clermont-Ferrand (P. Trouvé), Montpellier (S. Michun) and Nantes (A.-C. Dubernet) during a first phase.
The objective of this research was to study how the new obligations stemming from the law of 31 December 1991 (see *In Focus*) affect ongoing training practices in the VSEs. Training in all its forms (continuing or alternating, on the job or off the job, etc.) is treated as one element of production amongst others. Interviews were conducted with eight VSEs and professional bodies (8 authorised training fund collection agencies [OPCAs] and several training centres) spread over eight activity sectors; these interviews followed a thematic grid addressing hiring, forms of personnel management, training and relations with employers' organisations.

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Administration: Céreq, 10 place de la Joliette, 13474 Marseille cedex 02. Tel. (33) 491 13 28 28
Executive Publisher: Vincent Merle. Managing Editor: Michel Texier. Translator: Miriam Rosen
ISSN 1156 2366 Dépôt légal 2e trimestre 1998